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FARMERS HOME ADMINISTRATION A Rural Credit Agency of the U.S. DEPARTMENT OF AGRICULTURE



HOME IMPROVEMENT AND REPAIR LOANS

A rural homeowner whose house needs fixing up may be eligible for a loan from Farmers Home Administration (FmHA).

For families who may not need or cannot afford a new home, home improvement and repair loans are available to bring houses up to minimum property standards or to remove health or safety hazards.

A borrower's income is the key to the type of loan for which he is eligible.

If income is so low as to permit only removal of health and safety hazards, a *repair* loan may be available.

For families with somewhat higher income, a *home improvement* loan may be possible to bring the house up to FmHA minimum property standards.

HOW CAN FUNDS BE USED?

The ways in which *repair loans* and *home improvement loans* can be used are very similar, and FmHA county supervisors will help each borrower determine the loan that best fits his needs.

Generally, *repair loans* may be used to remove health hazards by repairing roofs, providing a sanitary water and waste disposal system that meets local health department requirements, installing screens, windows, or insulation or taking other steps to make the home safe.

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Home improvement loans may include similar purposes, but may go further by bringing the home up to minimum property standards, and making changes for the convenience of the family, such as adding a room, remodeling the kitchen or otherwise modernizing the house.

WHAT ARE THE TERMS?

FmHA county supervisors will help families determine the type of loan that is best suited to their needs and their income.

Very low income families can borrow up to \$5,000 to remove health hazards. Loans up to \$1,500 must be repaid within 10 years; loans between \$1,500 and \$2,500 within 15 years, and loans over \$2,500 within 20 years. The interest rate is 1 percent.

Families with somewhat higher incomes can borrow up to \$7,000 to improve their homes, but must bring the houses up to minimum property standards. Loans are for up to 25 years. Interest rates are based on each family's adjusted income. The interest rate will be 1 percent if the adjusted family income is less than \$3,000. If the income is more than \$3,000 but less than \$5,000 the interest rate will be 2 percent. If income is between \$5,000 and \$7,000, interest will be 3 percent.

Other home improvement loans are repayable in 33 years. These loans are made at the regular interest rate, or with "interest credits", depending upon family size and income.

HOW IS ADJUSTED INCOME FIGURED?

The county supervisor will help figure it out. Adjusted income is arrived at by adding up the total income of all adult members of the family who live at home. Subtract a standard deduction of 5 percent, plus \$300 for each minor child. The result is about what the family's adjusted income will be. There are other factors that do not affect all families, so be sure the county supervisor helps with the final arithmetic.

WHO CAN BORROW?

If you own and live in a home on a farm, in the open country, or in towns of up to 10,000 population you may qualify for a loan if you cannot secure credit from regular commercial lenders. Persons in towns of 10,000 to 20,000 persons should ask the FmHA county supervisor whether loans can be made in their town.

WHAT SECURITY IS REQUIRED?

A real estate mortgage is required for loans of more than \$2,500, and in some instances may be required for smaller loans. If the loan is under \$2,500, but income is small so that repaying the loan will be difficult, someone may co-sign the loan note with the borrower.

WHERE DO YOU APPLY?

Go to the local county office of the Farmers Home Administration. The office address can be found in the telephone

directory under "U.S. Government—Agriculture." Or write directly to the Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250.

ARE THERE OTHER CONDITIONS?

Applications from eligible veterans are given preference. Veterans and nonveterans must meet the same requirements.

Each person who applies will receive equal consideration regardless of race, color, creed, sex, marital status, or national origin.

WHAT OTHER CREDIT IS AVAILABLE?

Farmers Home Administration can make loans to build homes, buy existing ones, or to build rental apartments for low income or elderly people. FmHA also can loan money to buy or operate family farms, build water and waste disposal systems, or establish community facilities such as fire stations, clinics or community centers. It can guarantee loans to help establish job-producing businesses or industries.

This publication supersedes "Rural Housing Repair Loans" PA-1058.